

**Federal Reserve Bank of Chicago
Public Meeting Regarding the
Proposal by Banc One Corporation to merge with First Chicago NBD Corporation
August 13, 1998; Federal Reserve Bank of Chicago**

Statement of
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My name is Mark Barbash. I am Executive Director of Columbus Countywide Development Corporation. CCDC was established in 1981, and is a private, non-profit Certified Development Corporation which provides small business financing under programs sponsored by area lenders, the U.S. Small Business Administration, the Ohio Department of Development, and the city of Columbus. We are also an approved Community Development Financial Institution under the U.S. Treasury's CDFI program.

The purpose of my appearance is to provide our view of the performance of Bank One in community development activities in Central Ohio, as part of the Federal Reserve Bank's review of the proposal by Banc One Corporation to merge with First Chicago NBD Corporation.

The focus of CCDC is on creating jobs. We do this by working to fill the capital access gap for small businesses. We provide financing which takes greater risk than conventional bank financing and which may involve substantial technical assistance to entrepreneurs.

While there are many government programs that can help, of necessity, the private sector has both the obligation and the resources to make these efforts effective. As such, the financial institutions in Columbus have been critical to our efforts.

Let me give you four specific examples of Bank One's involvement in local economic and community development:

- 1) **Small Business Financing through the SBA 504 Program:** The SBA 504 program provides second mortgage financing for growing small businesses. It works in partnership with area lenders who provide 50% of the financing. Since 1981, Bank One has financed 117 projects through CCDC's SBA 504 program, with total investment exceeding \$60 Million and the Bank's investment exceeding \$35 Million. Most importantly, these projects have created jobs for 1,378 citizens of Central Ohio. Bank One's investment is the largest of any of our lenders, and comprises 13.8% of CCDC's total financing in this program. For the past three years running, Bank One has

been named our "Bank of the Year" – signifying that they have led all of the other banks in their participation in the program.

- 2) **Microenterprise Financing:** In 1993, we established the Central Ohio MicroLoan program. This program provides financing to new or existing "micro" businesses in four counties of Central Ohio. While the program was funded by the U.S. Small Business Administration, it was made possible through the contributions of area lenders who contributed funds to establish a Loan Loss Reserve Fund. The total LLR is \$100,000, with Bank One's contributions totaling almost \$14,000. More importantly, this program has funded more 150 small businesses, lending \$972,000, with 30% going to minority owned businesses; 49% going to women owned businesses and 40% going to low income business owners.
- 3) **Microenterprise Training:** I serve on the Board of Directors of the Ohio Foundation for Entrepreneurial Education. OFEE was founded in 1997 to establish a quality entrepreneurial training program. OFEE established the FastTrac program in Columbus, and in eighteen short months has provided critical training to more than 150 entrepreneurs. Bank one was a founding member of OFEE. To date, Bank One has provided \$65,000 in operational funding and \$15,000 in scholarships funding. To date, 25% of the participants in FastTrac have been minority and women owned businesses.
- 4) In 1997, CCDC established the Columbus Growth Fund, a mezzanine fund targeted towards businesses in Columbus' center city, targeting both minority and women owned businesses. This fund was established through the participation of five area lenders, including Bank One. Bank One's specific involvement totals \$545,000: \$45,000 in equity and \$500,000 in participation with a line of credit which will be reloaned to eligible businesses.

The Bank's involvement has gone beyond financial investment. Bank One professional staff – including both "line" loan officers and senior managers – donate time to our activities. Just a few examples:

- A Bank One representative has served continuously on the Board of Directors and Loan Review Committee for my organization since its founding back in 1981. Committee members contribute hundreds of hours in providing advice both to CCDC and to our borrowers.
- A number of Bank One representatives have served on a committee that reviews applications under our microloan program. This can entail evaluating anywhere from 10 to 150 pages of information, interviewing

the business, and providing technical assistance to the small business entrepreneur in the process.

- Bank One and the other lenders have been among the key referral sources for applicants under our programs. This is a critical component of our network, as our primary goal is to enable the businesses we assist to become bankable through the conventional lending market, rather than relying on the subsidized market for their growth capital.

In closing, let me stress several points:

First, CCDC is not the only game in town. Columbus has developed some strong partnerships among the public and private sectors. Bank One has been a key player in these partnerships, along with the City of Columbus, the Ohio State University, business leaders, and other financial institutions. Supporting these activities are thousands of hours of time which I have seen being donated by Bank One professionals in other programs in Columbus.

Second, I have selected these examples because they can be quantified...dollars invested...jobs created...entrepreneurs helped. A measure of the importance of the private lending community in our economy has been statistics on business-starts which show Columbus leading the state in new business start-ups for the past several years.

Third, some concern has been raised about the impact on Bank One's local economic development activities by the merger, and particularly by the moving of its headquarters from Columbus to Chicago. From my perspective, and based upon my own experience, I believe that these concerns may be unfounded. Like politics, all economic development is local. Creating partnerships that work is a dynamic and difficult process, and requires efforts by all of the players. In merger situations like this---and certainly we are facing them every day -- there is an equal obligation for those of us in the economic development system to raise the visibility of community needs to the decision-makers in the financial institutions.

Fourth, a criticism has been raised that many of these activities by most banks are self-serving...that they all inexorably lead to opportunities for the banks to make money by making loans. Frankly, in the case of entrepreneurial development, this is the way it should be. Successful small businesses cannot rely on public sector financing for their capital needs forever. We work to help our customers become bankable...to become customers of the conventional banking market where the vast majority of their financing needs should be met. But not all of our customers become truly bankable. I have never seen a reluctance to continue supporting our activities.

Fifth, I have been personally involved in all of these activities. I feel that they accurately reflect the Bank's performance in working to expand access to capital for minority and women owned businesses and to encourage entrepreneurial development among low-income citizens of Central Ohio.

